

**LAKE CHARLES HARBOR AND TERMINAL DISTRICT
LAKE CHARLES, LOUISIANA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/18/10

Prepared by the
Staff of Administration and Finance
Lake Charles Harbor and Terminal District

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2009

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INTRODUCTORY SECTION

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**Lake Charles
Harbor
& Terminal
District**

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May 14, 2010

Board of Commissioners
Lake Charles Harbor and Terminal District
PO Box 3753
Lake Charles, LA 70602

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2009 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all note disclosures, rests with the District. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and have been independently audited in accordance with generally accepted auditing standards. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. This transmittal letter should be read in conjunction with Management's Discussion and Analysis on pages 21-29. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

Certain demographic information and miscellaneous statistics included in the CAFR were not obtained from the financial records of the District but are presented for the CAFR user's information and understanding of the District and the environment in which the District operates.

The enclosed CAFR has been prepared in accordance with guidelines recommended by the Governmental Accounting Standards Board and the Government Finance Officers Association.

Overview of the Lake Charles Harbor and Terminal District

The District is an independent political subdivision of the State of Louisiana created by action of the Louisiana Legislature in 1924 and authorized by Louisiana Revised Statutes 34:201-217. The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles.



The District provides the infrastructure for marine terminal facilities designed to accommodate a wide range of cargoes. Some of these facilities are owned and operated by the District; some are owned by the District and leased to private terminal operators.

Cargoes shipped through District facilities are classified into bulk cargoes, break-bulk cargoes and containerized cargoes. Bulk cargoes are dry bulk commodities such as petroleum coke, barite, rutile and grains. These cargoes are loaded through one of the District's bulk terminals, with the most active bulk terminal being Bulk Terminal No. 1. Break-bulk cargoes are unitized cargoes such as bagged flour, bagged rice, lumber, logs and linerboard. Break-bulk cargoes typically move through the transit sheds, berths and warehouses in the area of the District called the City Docks. Containerized cargo consists of break-bulk cargo shipments, which are loaded into self-contained shipping units that are handled through District-owned facilities, which are leased to a private operator.

Local Economy

Southwest Louisiana's economic base can be classified into three primary categories: Petrochemical, Gaming, and Aircraft Maintenance and Repair.

- According to research by the H. C. Drew Center for Economic Development, Manufacturing, Construction and Mining related activities, which includes the petrochemical plants and refineries, employ nearly 18,000 workers and provide for significant average annual wages in Southwest Louisiana. The mining sector provides an average annual wage of \$75,000, the manufacturing sector provides an average annual wage of \$68,000 and the construction sector provides an average annual wage of \$46,000. Calcasieu Parish is the home of approximately 25 petrochemical plants and refineries.



- Lake Charles is currently home to three riverboat casinos. Pinnacle Entertainment completed construction of its riverboat casino in June 2005 on land leased from the District. Pinnacle's hotel and casino, L'Auberge du Lac, is the second largest single deck riverboat in the United States and the only single deck riverboat in Louisiana. The hotel is 26 stories with over 750 rooms, a 26,000 sq ft event center, a 14,000 sq ft ballroom and an 18-hole Tom Fazio-designed Golf Course. During the first quarter of 2008, L'Auberge du Lac completed construction of a \$67.0 million hotel expansion which includes a new hotel tower featuring 252 new guest rooms, suites, and retail outlets.
- During the second quarter of 2008, Lake Charles Cogeneration, LLC (LCC) issued \$1.0 billion in bonds to finance the construction of a petroleum coke and coal fueled poly-generation gasification facility to be built on property owned by the District. The District is leasing the site to LCC pursuant to a long-term ground lease agreement. Upon completion, it is expected that the facility will produce pipeline quality substitute natural gas and hydrogen. The initial feasibility work has been completed, including selection of the project's technology, project design and cost, and plans to commence front-end engineering and design (FEED) work which will allow LCC to file for its environmental permits. LCC expects to commence construction of the facility in 2010.
- Northrop Grumman and EADS are located at the Chennault International Airport Authority where aircraft modification and maintenance is performed.
- During the third quarter of 2008, the Shaw Group announced that the company will build the first module fabrication and assembly facility focused on constructing components for new and modified nuclear reactors in the United States. The facility is expected to create 1,400 jobs in Lake Charles over the next several years at an average salary of \$50,000 plus benefits.

Dry Bulk Cargo Terminals

The District owns three dry bulk terminals specializing in commodities such as petroleum coke, barite, rutile, aggregate, grains, and caustic soda. These terminals are equipped with loading and unloading facilities that include ship loaders, ship unloaders, rail car rollover, truck and rail hoppers, pits and chutes, conveyor systems, scales, silos and open-air storage pads.

General Cargo Docks

The City Docks area has 13 transit sheds, 15 back warehouses and one open berth and can accommodate 12 ships in port simultaneously. The City Docks have approximately 1.8 million sq ft of covered storage. City Docks is an intermodal facility accessible via road, rail, or water.

Cargo Diversity

During 2004, the District was successful in attracting Gearbulk from Port Arthur, Texas. Gearbulk imports forest products from South America and Europe destined for markets throughout the United States. One of Gearbulk's primary attractions to the District related to the available transit shed and warehouse space. The District recently completed construction on two 100,000 sq ft transit sheds to be utilized in the lumber trade. Import tonnage through the District is estimated to be approximately 100,000 tons during 2010.

Real Estate

The District owns approximately 4,000 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2009, lease revenues accounted for approximately \$8.8 million, or 30% of total District operating revenues.



Security Initiatives

The District was awarded a grant by the Department of Homeland Security in the amount of \$2.7 million during 2006 to assist in undertaking necessary port security initiatives. The grant provides resources for security planning and projects to install long-range radars along the Calcasieu River Waterway. Construction related to this initiative began in late 2008.

Capital Improvements

Over the next five years, the District's capital budget calls for approximately \$159.3 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding and District revenues.

Internal Controls

The management of the District is responsible for establishing and maintaining internal controls over its operations. These internal controls are designed to provide management with reasonable, though not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that financial transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived there from and that the evaluation of the costs and benefits requires certain estimates and judgments by management.

Budgetary Control

The District prepares an annual budget that is based upon the expected cargo movements and rental activity of the District. The Board of Commissioners adopts the annual operating budget and capital budget, which establishes budgetary appropriations for the operation and capital improvements of the District.



Awards and Acknowledgments

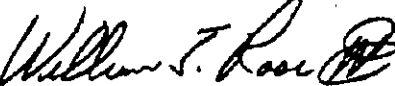
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

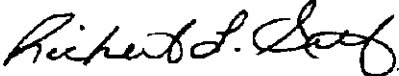


A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

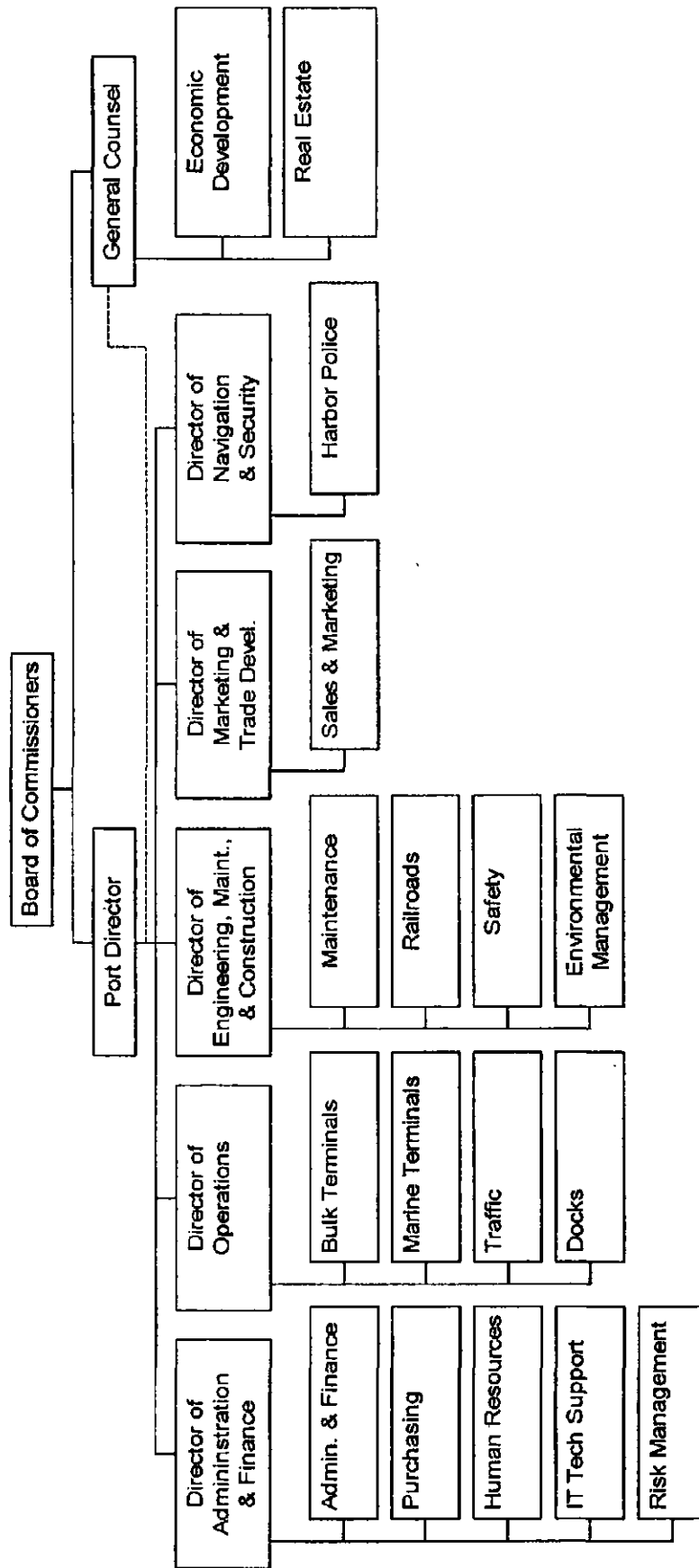
The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated efforts from the Administration and Finance Department staff.

Respectfully submitted,


William J. Rase, III
Port Director


Richert L. Self
Director of Administration
and Finance

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
Effective January 1, 2005



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Charles
Harbor and Terminal District
Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



President

Executive Director

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

P.O. BOX 3753
LAKE CHARLES, LOUISIANA 70602
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PORT DIRECTOR

R. Adam McBride

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FINANCIAL SECTION

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McELROY, QUIRK & BURCH

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CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

We have audited the accompanying basic financial statements of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Lake Charles Harbor and Terminal District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, as of December 31, 2009 and 2008, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for Lake Charles Harbor and Terminal District's retiree health plan on pages 21 through 29 and page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, basic financial statements. The introductory section, accompanying supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ms. Elroy, Quink & Burch

Lake Charles, Louisiana

May 14, 2010

Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the years ended December 31, 2009 and 2008. It provides an introduction to the District's 2009 and 2008 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements.

Financial Highlights

- The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2009 by \$261.1 million (net assets). Net assets totaled \$253.2 million as of December 31, 2008.
- As a result of the excess revenues over expenses, the District's net assets increased \$7.9 million compared to a \$7.1 million increase during 2008.
- During 2009, operating revenues were \$29.0 million, a decrease of \$2.1 million (7%) from 2008. Operating expenses were \$29.3 million, a decrease of \$1.2 million (4%) compared to 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lake Charles Harbor and Terminal District's basic financial statements. The District is a special-purpose government engaged only in business type activities.

The basic financial statements report information about the District using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include comparative statements of fund net assets, comparative statements of revenues, expenses, and changes in fund net assets, and comparative statements of cash flows.

- The comparative statements of fund net assets present information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The comparative statements of revenues, expenses, and changes in fund net assets present information showing how the District's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

- > The comparative statements of cash flows present changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when obligations arise, or depreciation of capital assets.

The basic financial statements can be found on pages 32-37 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 38-67 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 67-107 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net assets as of December 31, 2009, 2008 and 2007:

Lake Charles Harbor and Terminal District Comparative Condensed Statements of Fund Net Assets

	2009 (in thousands)	2008 (in thousands)	2007 (in thousands)
Current and other assets	\$ 52,102	\$ 57,371	\$ 54,757
Capital assets	<u>234,082</u>	<u>222,880</u>	<u>215,356</u>
Total assets	<u>286,184</u>	<u>280,251</u>	<u>270,113</u>
Current liabilities	12,347	12,976	9,345
Non-current liabilities	<u>12,722</u>	<u>14,109</u>	<u>14,717</u>
Total liabilities	<u>25,069</u>	<u>27,085</u>	<u>24,062</u>
Net assets:			
Invested in capital assets, net			
of related debt	221,495	208,860	200,356
Restricted	6,471	6,581	6,611
Unrestricted	<u>33,149</u>	<u>37,725</u>	<u>39,085</u>
Total net assets	<u>\$ 261,115</u>	<u>\$ 253,166</u>	<u>\$ 246,052</u>

2009:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2009 by \$261.1 million compared to \$253.2 million as of December 31, 2008 (net assets).

The largest portion of the District's net assets reflects its investment in capital assets in the amount of \$221.5 million as of December 31, 2009 compared to \$208.9 million as of December 31, 2008. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net assets total \$6.5 and \$6.6 million for 2009 and 2008, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets of \$6.5 and \$6.6 million as of December 31, 2009 and 2008, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$11.3 million in unrestricted net assets as of December 31, 2009 to be used for commitments on construction contracts compared to \$5.3 million in unrestricted net assets as of December 31, 2008 to be used for commitments on construction contracts. The remaining \$21.8 million and \$32.4 million as of December 31, 2009 and 2008, respectively, of unrestricted net assets may be used to meet the District's ongoing obligations to creditors.

2008:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2008 by \$253.2 million compared to \$246.1 million as of December 31, 2007 (net assets).

The largest portion of the District's net assets reflects its investment in capital assets in the amount of \$208.9 million as of December 31, 2008 compared to \$200.4 million as of December 31, 2007. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net assets total \$6.6 million for 2008 and 2007, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets of \$6.6 million as of December 31, 2008 and 2007, represents an amount restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$5.3 million in unrestricted net assets as of December 31, 2008 to be used for commitments on construction contracts compared to \$8.1 million in unrestricted net assets as of December 31, 2007 to be used for commitments on construction contracts. The remaining \$32.4 million and \$31.0 million as of December 31, 2008 and 2007, respectively, of unrestricted net assets may be used to meet the District's ongoing obligations to creditors.

The following table shows condensed revenue and expense data for the years ended December 31, 2009, 2008 and 2007:

Lake Charles Harbor and Terminal District
Comparative Statements of Revenues, Expenses,
and Changes in Fund Net Assets

	2009	2008	2007
Operating revenues:			
Vessel and cargo services	\$ 19,408,860	\$ 21,841,492	\$ 21,040,668
Rental of equipment and facilities	8,764,583	8,564,493	8,034,696
Other	<u>852,667</u>	<u>672,272</u>	<u>260,484</u>
Total operating revenues	<u>29,026,110</u>	<u>31,078,257</u>	<u>29,335,848</u>
Operating expenses:			
Personnel services	8,583,507	9,086,400	7,527,770
Contractual services	4,663,870	4,872,140	5,084,963
Supplies, maintenance and operation of facilities	5,130,556	6,203,509	5,615,637
Heat, light and power	559,208	832,000	698,975
Depreciation and amortization	<u>10,338,613</u>	<u>9,531,318</u>	<u>8,804,644</u>
Total operating expenses	<u>29,275,754</u>	<u>30,525,367</u>	<u>27,731,989</u>
Operating income (loss)	<u>(249,644)</u>	<u>552,890</u>	<u>1,603,859</u>
Nonoperating revenues (expenses):			
Property taxes	2,318,463	2,370,487	2,197,493
Intergovernmental revenue	92,875	91,827	89,102
Interest income	298,711	1,215,960	1,898,195
Net increase (decrease) in fair value of investments	(83,629)	128,604	212,541
Interest expense and fiscal charges	(37,890)	(21,866)	(21,631)
Retirement of assets	(28,375)	22,183	(1,212)
Impairment of assets	-	(995,779)	-
Hurricane expenses net of recoveries	330,494	1,201,193	894,370
Other	<u>(15,532)</u>	<u>(8,750)</u>	<u>(6,250)</u>
Net nonoperating revenues (expenses)	<u>2,875,117</u>	<u>4,003,859</u>	<u>5,262,608</u>
Net income before contributions	<u>\$ 2,625,473</u>	<u>\$ 4,556,749</u>	<u>\$ 6,866,467</u>

2009:

- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.
- Total operating revenues decreased \$2.1 million or 7% during 2009 as compared to 2008. The decrease is partially due to the District no longer handling coal at Bulk Terminal No. 1. The District handled coal during 2008 for a customer but was not the primary import source. As the reliability of the primary import source improved, the customer no longer imported coal through the District. An additional contributing factor includes a decline in barite and calcined coke tonnage at the District's Bulk Terminal No. 1 as a result of decreased demand for these commodities due to the downturn in the economy. The decrease is also due to a decline in the volume of petroleum cargo transfers and related wharfage revenue for the District as a result of lower gas prices during 2009 as compared to 2008.

Partially offsetting these decreases in operating revenues is an increase in petroleum coke handled for a new customer at Bulk Terminal No. 1. Also partially offsetting the decrease is an increase in petroleum coke handled for an existing customer during 2009 due to major maintenance projects in 2008 at the refinery, which resulted in a decline in tonnage during 2008. Rental revenue also increased approximately \$0.2 million during 2009 as compared to 2008. The increase is the result of revenue from additional space leased to an existing tenant, commencement of escalations in another current tenant's lease and one new tenant leasing space for a temporary period. The increase in rental revenues is partially offset by the removal of revenue associated with property involved in litigation with another governmental entity. A trial court judgment has been rendered in favor of the other governmental entity. The judgment is under appeal.

- Total operating expenses decreased \$1.2 million or 4% during 2009 as compared to 2008. The decrease is partially due to decreased personnel services expenses as a result of revised estimates for the annual required contribution recorded in accordance with Governmental Accounting Standards Board Statement (GASB) No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" which was implemented during 2008. An additional contributing factor relates to decreased stevedoring and rent equipment expenses associated with no longer handling coal and due to lower barite and calcined coke tonnage as a result of decreased demand for these commodities due to the downturn in the economy. Additionally, during the 4th quarter of 2008, the District was successful in negotiating several concessions in stevedoring operating levels, which resulted in lower expenses as compared to 2008. Also contributing to the decrease is a reduction in expenses in 2009 associated with the removal of Naturally Occurring Radioactive Material (NORM) at the District's Westlake facility that was completed during 2008. The final contributing factor to the decrease is a reduction in expenses as a result the completion of a capital project at Bulk Terminal No. 1 installing a new railcar rollover which replaced the previous rollover. The District incurred significant maintenance expenses in 2008 associated with the previous rollover.

Partially offsetting the decrease in operating expenses is increases in dredging expenses associated with dredging at Bulk Terminal No. 1, which occurred in 2009, an increase in property insurance premiums due to recent hurricane activity and related claims, and increases in depreciation expense associated with the completion of several capital projects during 2009.

- Net nonoperating revenues and expenses decreased \$1.1 million or 28% during 2009 as compared to 2008. The decrease is partially due to a decrease in interest income associated with a significant decline in the rate of interest earned on investments. An additional contributing factor to the decrease is hurricane expenses net of recoveries associated with the completion of an alternate project in 2008 remaining from Hurricane Rita for which FEMA provided assistance. Partially offsetting the decrease was a reduction in impairment of assets expenses associated with \$1.0 million in repairs to leaking roofs on Transit Sheds 16 and 17, which were completed in 2008.
- The District received \$5.3 million in Federal and State capital contributions for the year ended December 31, 2009 compared to \$2.6 million for the year ended 2008. The majority of the grant funding received in 2009 relates to the Rehabilitation of the Bulk Terminal No. 1 Rollover Dump Project and the Security Enhancements Project. The increase in grant revenues as compared to 2008 is attributable to the District receiving a significant amount of funding on both of these projects during 2009.
- The District's net assets increased \$7.9 million and \$7.1 million during the twelve months ended December 31, 2009 and 2008, respectively. The increase during 2009 is due partially to increased capital contributions of \$2.8 million as compared to 2008, lower operating expenses as a result of lower tonnage at Bulk Terminal No. 1, successful negotiations with the stevedore which resulted in lower operating expenses as compared to 2008, completion of the NORM cleanup at the Westlake facility in 2008, installation of the new railcar rollover at Bulk Terminal No. 1 thereby reducing maintenance expenses in 2009 as compared to 2008, and finally, completion in 2008 of the repairs to the leaking roofs on Transit Sheds 16 and 17. There is no assurance that capital contributions will continue in the future. Partially offsetting the increase in net assets is lower operating revenues due to lower tonnage at Bulk Terminal No. 1, an increase in depreciation expenses associated with the completion of several capital projects during the year, and declines in interest income associated with a significant decline in the rate of interest earned on investments.

2008:

- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.

- Total operating revenues increased \$1.7 million or 6% during 2008 as compared to 2007 due partially to vessels transferring bulk petroleum products from vessel to barge and barge to vessel against which a dockage and wharfage fee is assessed. An additional contributing factor includes increased rental revenue during 2008 from a new land lease to Pinnacle Entertainment to construct Sugarcane Bay, a new casino hotel adjacent to L'Auberge du Lac, and a new tenant at Bulk Terminal No. 1 that plans to build a petroleum coke and coal fueled poly-generation gasification facility. Partially offsetting these increases is lower storage revenue associated with the loss of the United States Agency for International Development (USAID) Pre-position Contract in April of 2007.

- Total operating expenses increased \$2.8 million or 10% during 2008 as compared to 2007 due primarily to increases in depreciation expense associated with the completion of several capital projects during 2008. The increase is also due partially to increased personnel services expenses as a result of \$0.5 million in the annual required contribution recorded in accordance with Governmental Accounting Standards Board Statement (GASB) No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" which was implemented during 2008. An additional contributing factor includes higher health care costs associated with the health and medical self-insurance plan. The final contributing factor to the increase relates to expenses associated with the removal of Naturally Occurring Radioactive Material (NORM) at the District's Westlake facility, which was completed during the year. Partially offsetting this increase is lower property insurance premiums during 2008 as compared to 2007 due to a softening in the market since Hurricane Rita in 2005.

- Net nonoperating revenues decreased \$1.3 million or 24% during 2008 as compared to 2007. This decrease is due partially to \$1.0 million in repairs to leaking roofs on Transit Sheds 16 and 17, which were recently constructed. The final contributing factor relates to a decrease in interest income associated with a significant decline in the rate of interest earned on investments. Partially offsetting the decrease is recoveries of hurricane expenses net of recoveries associated with the completion of an alternate project remaining from Hurricane Rita for which FEMA provided assistance.

- The District received \$2.6 million in Federal, State and other capital contributions for the year ended December 31, 2008 compared to \$4.2 million for the year ended 2007. The majority of the grant funding received in 2008 relates to the Rehabilitation of the Bulk Terminal No. 1 Rollover Dump Project, Security Enhancements Project, Rehabilitation of Bulk Terminal No. 1 Railroad Project, and the Bulk Terminal No. 4 Bulkhead Construction Project. The decrease in grant revenues from 2007 is attributable to the District receiving a significant amount of funding on the Bulk Terminal No. 1 Railroad Project in 2007.

- The District's net assets increased \$7.1 million and \$11.1 million during the twelve months ended December 31, 2008 and 2007, respectively. The decrease during 2008 is due partially to decreased capital contributions of \$1.7 million as compared to 2007. There is no assurance that these capital contributions will continue in the future. An additional contributing factor includes increases in personnel services associated with the annual required contribution recorded in accordance with GASB No. 45. Also affecting 2008 is an increase in depreciation expenses associated with the completion of several capital projects during the year. The final two contributing factors relate to repair expenses associated with leaking roofs on Transit Sheds 16 and 17 and declines in interest income associated with a significant decline in the rate of interest earned on investments.

Capital and Debt Administration

Capital assets. The District's capital assets were \$234.1 million and \$222.9 million (net of accumulated depreciation) as of December 31, 2009 and 2008, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2009 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2009 was \$11.7 million compared to \$5.6 million as of December 31, 2008.
- Construction on the Replacement of the Shiploader Boom at Bulk Terminal No. 1, Replacement of the Walkway and Apron on Conveyor 6A at Bulk Terminal No. 1, Removal of Dirt remaining from the Environmental Pit at Bulk Terminal No. 1 and the Transportation Worker's Identification Credential (TWIC) Security Improvements at City Docks were completed during the second quarter of 2009.
- Construction of the new Rollover Dump at Bulk Terminal No. 1 was completed during the third quarter of 2009.
- Construction on the new Cascade Chute at Bulk Terminal No. 1 was completed during the fourth quarter of 2009.

Major capital asset events during the year ended December 31, 2008 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2008 was \$5.6 million compared to \$16.6 million as of December 31, 2007.
- The rehabilitation of the Bulk Terminal No. 1 Railroad was completed in the first quarter of 2008.

- Construction of the Railroad Improvements Project at City Docks was completed during the first quarter of 2008.
- Construction of Phase II of the Container Handling Improvements Project at City Docks was completed during the second quarter of 2008.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 7 on page 50-52.

Lake Charles Harbor and Terminal District Fixed Assets

	2009 <u>(in thousands)</u>	2008 <u>(in thousands)</u>	2007 <u>(in thousands)</u>
Land	\$ 29,666	\$ 29,628	\$ 25,823
Buildings and facilities	304,247	290,981	268,521
Equipment	24,908	23,287	21,642
Construction in progress	11,731	5,564	16,578
Accumulated depreciation	<u>(136,470)</u>	<u>(126,580)</u>	<u>(117,208)</u>
	<u>\$ 234,082</u>	<u>\$ 222,880</u>	<u>\$ 215,356</u>

Long-term debt. The Lake Charles Harbor and Terminal District had \$12.5 million in bonds outstanding as of December 31, 2009 compared to \$13.8 million as of December 31, 2008. These bonds consist of the 1994 Variable Rate Port Improvement Bonds with interest due in quarterly installments through 2019. Additional information on the Lake Charles Harbor and Terminal District's long-term debt can be found in note 11 on pages 53-57.

Economic Factors

The following factors were considered in preparing the District's budget for 2010:

- A decrease in expected volume and related revenues associated with lumber imports at City Docks.
- Increases in depreciation expense associated with the completion of several capital projects during 2009 and 2010.

Requests for Information

This financial report is designed to provide a general overview of the Lake Charles Harbor and Terminal District's finances. Questions concerning this report or requests for additional information should be addressed to Richert Self, Director of Administration and Finance, Lake Charles Harbor and Terminal District, 150 Marine Street, Lake Charles, LA 70601.

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BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF FUND NET ASSETS

ENTERPRISE FUND

December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,055,544	\$ 36,195,711
Restricted current assets:		
Cash and cash equivalents	2,587,983	1,525,389
Investments	3,874,969	5,014,531
Interest receivable	7,888	43,114
Receivables:		
Trade, net of allowance for doubtful accounts	4,209,400	4,459,261
Intergovernmental	898,510	3,283,988
Property taxes, net of allowance for doubtful accounts	2,492,503	2,333,833
Other	-	556,799
Inventory	1,338,093	911,928
Prepaid expenses	1,629,166	335,702
Insurance deposits	2,867,176	2,552,799
Total current assets	<u>51,961,232</u>	<u>57,213,055</u>
NONCURRENT ASSETS		
Unamortized bond expense	140,278	157,812
Capital assets, net of depreciation	<u>234,082,219</u>	<u>222,880,345</u>
Total noncurrent assets	<u>234,222,497</u>	<u>223,038,157</u>
Total assets	<u>286,183,729</u>	<u>280,251,212</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF FUND NET ASSETS

ENTERPRISE FUND

December 31, 2009 and 2008

LIABILITIES	2009	2008
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 1,346,169	\$ 2,371,770
Contracts payable	2,342,522	1,076,443
Claims payable	227,963	256,762
Accrued expenses	932,680	920,232
Accrued interest payable	13,723	23,814
Deferred revenues	6,215,646	7,059,412
Total current liabilities (payable from current assets)	11,078,703	11,708,433
CURRENT LIABILITIES (payable from restricted assets)		
Current maturities of long-term debt	1,267,827	1,267,361
Total current liabilities	12,346,530	12,975,794
NONCURRENT LIABILITIES (payable from unrestricted assets)		
Long-term rent payable	-	29,829
Compensated absences, less current portion	456,568	428,456
OPEB liability	620,760	523,000
Deferred revenues, less current portion	325,855	374,575
Total noncurrent liabilities (payable from unrestricted assets)	1,403,183	1,355,860
NONCURRENT LIABILITIES (payable from restricted assets)		
Long-term debt, less current maturities	11,319,445	12,753,406
Total noncurrent liabilities	12,722,628	14,109,266
Total liabilities	25,069,158	27,085,060
NET ASSETS		
Invested in capital assets, net of related debt	221,494,947	208,859,578
Restricted for trust funds pursuant to the issuance of the 1994 Port Improvement Revenue bonds	6,470,840	6,583,034
Unrestricted	33,148,784	37,723,540
Total net assets	\$ 261,114,571	\$ 253,166,152

The notes to the financial statements are an integral part of this statement.

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND

Years Ended December 31, 2009 and 2008

	2009	2008
Operating revenues:		
Vessel and cargo services	\$ 19,408,860	\$ 21,841,492
Rental of equipment and facilities	8,764,583	8,564,493
Other	852,667	672,272
Total operating revenues	<u>29,026,110</u>	<u>31,078,257</u>
Operating expenses:		
Personnel services	8,583,507	9,086,400
Contractual services	4,663,870	4,872,140
Supplies, maintenance and operation of facilities	5,130,556	6,203,509
Heat, light and power	559,208	832,000
Depreciation and amortization	10,338,613	9,531,318
Total operating expenses	<u>29,275,754</u>	<u>30,525,367</u>
Operating income (loss)	<u>(249,644)</u>	<u>552,890</u>
Nonoperating revenues (expenses):		
Property taxes	2,318,463	2,370,487
Intergovernmental revenue	92,875	91,827
Interest income	298,711	1,215,960
Net increase (decrease) in the fair value of investments	(83,629)	128,604
Interest expense and fiscal charges	(37,890)	(21,866)
Retirement of assets	(28,375)	22,183
Impairment of assets	-	(995,779)
Hurricane expenses net of recoveries	330,494	1,201,193
Other	(15,532)	(8,750)
Net nonoperating revenues (expenses)	<u>2,875,117</u>	<u>4,003,859</u>
Net income before contributions	<u>2,625,473</u>	<u>4,556,749</u>
Capital contributions:		
Federal government	2,334,638	500,000
State government	2,988,308	2,057,751
Total capital contributions	<u>5,322,946</u>	<u>2,557,751</u>
Change in net assets	7,948,419	7,114,500
Net assets, beginning of year	<u>253,166,152</u>	<u>246,051,652</u>
Net assets, end of year	<u>\$ 261,114,571</u>	<u>\$ 253,166,152</u>

The notes to the financial statements are an integral part of this statement.

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
ENTERPRISE FUND
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and users	\$ 28,940,284	\$ 35,435,223
Payments to employees and related benefits	(8,406,905)	(8,461,665)
Payments to suppliers	(13,495,854)	(11,874,012)
Net cash provided by operating activities	<u>7,037,525</u>	<u>15,099,546</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from other governments	<u>92,875</u>	<u>91,827</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes collected	2,159,793	2,249,698
Capital grants collected	7,708,424	1,302,816
Payments for capital acquisitions	(20,302,783)	(19,678,557)
Proceeds from sale of capital assets	-	45,022
Proceeds for hurricane recovery	330,494	1,201,193
Principal payments on long-term debt	(1,463,324)	(1,806,678)
Proceeds from debt issuance	-	770,767
Interest and fiscal charges paid (net of amount capitalized)	<u>(30,447)</u>	<u>(31,678)</u>
Net cash (used in) capital and related financing activities	<u>(11,597,843)</u>	<u>(15,947,417)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	10,250,487	9,851,465
Receipts of interest	333,937	1,207,469
Payments for investments	(9,194,554)	(6,291,953)
Net cash provided by investing activities	<u>1,389,870</u>	<u>4,766,981</u>
 Net increase (decrease) in cash and cash equivalents	 (3,077,573)	 4,010,937
Cash and cash equivalents:		
Beginning of year	<u>37,721,100</u>	<u>33,710,163</u>
End of year	<u>\$ 34,643,527</u>	<u>\$ 37,721,100</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
 ENTERPRISE FUND
 Years Ended December 31, 2009 and 2008
 (Continued)

	<u>2009</u>	<u>2008</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (249,644)	\$ 552,890
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation and amortization	10,338,613	9,531,318
Changes in assets and liabilities:		
(Increase) decrease in customer receivables	806,660	(213,589)
(Increase) in inventory	(426,165)	(175,882)
(Increase) in prepaid expenses and other		
assets	(1,607,841)	(277,651)
Increase (decrease) in accounts payable and		
accrued expenses	(916,080)	1,120,655
Increase (decrease) in deferred revenue	(892,486)	4,570,555
Other	(15,532)	(8,750)
Total adjustments	<u>7,287,169</u>	<u>14,546,656</u>
Net cash provided by operating activities	<u>\$ 7,037,525</u>	<u>\$ 15,099,546</u>
Schedule of noncash investing, capital, and		
financing activities:		
Increase (decrease) in grants receivable	\$ (2,385,478)	\$ 1,254,935
(Loss) on property dispositions	(28,375)	(22,839)
Net increase (decrease) in the fair value of		
investments	(83,629)	128,604
Net write-off of uncollectible property taxes	-	(1,220)

The notes to the financial statements are an integral part of this statement.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

Note 1. Summary of Significant Accounting Policies

The Lake Charles Harbor and Terminal District operates a deep water port on the Calcasieu River Pass to the Gulf of Mexico and embraces all areas served by rail lines, highways, and waterways that converge on Lake Charles, Louisiana.

The financial statements of the Lake Charles Harbor and Terminal District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

A. Reporting Entity

The Lake Charles Harbor and Terminal District is an independent political subdivision of the State of Louisiana and is authorized by Louisiana Revised Statutes 34:201-217. Portions of these statutes were amended and reenacted on May 29, 2003, by Act No. 149 relative to the appointment and terms of the District's Board of Commissioners; to the Board's responsibility for management of the District; and to provide for the employment of a port director; and other matters.

In accordance with the provisions of Act No. 149, the District is governed by a Board of seven commissioners appointed by the Governor, subject to Senate confirmation. Except for initial appointments and terms, commissioners shall serve four year terms. The Governor shall appoint one commissioner each from nominees submitted by the City of Lake Charles, the Calcasieu Parish Police Jury, the Cameron Parish Police Jury, and the City of Westlake. The remaining three commissioners shall be appointed from nominees submitted jointly by the State Legislators who represent any part of the District. No member shall serve more than two consecutive terms. After having served two consecutive terms, a commissioner shall not be eligible for appointment to the Board for a period of eight years after completing the second term.

The District is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the District.

B. Fund Accounting

The Lake Charles Harbor and Terminal District uses a proprietary fund to report on its financial position and results of operations. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities provided to outside parties are accounted for by an enterprise fund type of the proprietary fund. The District is accounted for as an enterprise fund.

C. Basis of Accounting

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The District's accounts are organized into a single proprietary fund. The District's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the District applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets

Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Changes in fair market value of investment securities are not budgeted by the District. Capital contributions (grants) received by the District also are not budgeted.

During the years ended December 31, 2009 and 2008, there were no changes to originally budgeted amounts.

E. Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits and money market deposits.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2009 and 2008. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F. Receivables

Trade receivables are carried at their estimated collectible amounts. Receivables are periodically evaluated for collectability based on past credit history with customers. Allowance for doubtful accounts is determined on the basis of the evaluation of collectability.

G. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year. An allowance for uncollectible property taxes is based on historical experience in collecting property taxes.

H. Inventories

Inventories consist of parts, supplies, and fuel and are valued at the lower of cost (first-in, first-out) or market.

I. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current period are recorded as prepaid expenses and are recognized as expenses in the period benefited.

J. Restricted Assets

Certain resources are set aside for repayment of revenue bonds. These resources are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

K. Capital Assets

Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. Donated property received by the District should be stated at the property's fair market value at the time of the donation. Net interest costs are capitalized on major construction projects during the construction period. During the year ended December 31, 2009, total interest cost incurred was \$180,198 of which \$180,198 was capitalized. During the year ended December 31, 2008, total interest cost incurred was \$455,421 of which \$455,421 was capitalized. Infrastructure assets are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets with an individual cost in excess of \$500 are generally capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and marine construction	15 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

L. Compensated Absences

Employees of the District earn annual leave and sick leave for each hour of regular duty, including time the employee is on paid leave or observing a paid holiday, based on the equivalent of years of full-time state service at varying rates. Employees may carry any unused accumulated annual and sick leave forward to succeeding years. As a result, there is no limit on the amount of such leave an individual may accumulate through the years of his employment. Upon his retirement or resignation, he must be paid at his current rate of pay, for all unused annual leave in an amount not to exceed 300 hours. An employee cannot be paid for any unused sick leave upon separation.

Effective July 12, 1989, employees who are required to perform overtime duty may, at the option of the District, be credited with compensatory leave for the hours they have been required to work. Upon separation from the District such employees will be paid for accumulated compensatory leave.

M. Net Assets

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

N. Bond Issuance Costs

Bond issuance costs reported as prepaid and unamortized expense on the balance sheet are recorded as deferred charges and are amortized over the term of the bonds using a method which approximates the effective interest method.

O. Cash Flows Statement

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

Note 2. Legal Compliance - Budget

The Port Director prepares a proposed budget and submits same to the Board of Commissioners no later than fifteen days prior to the beginning of each fiscal year. The budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year.

A summary of the proposed budget is published, a public hearing is held, and the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is adopted.

All changes in the budget must be approved by an affirmative vote of a majority of the Board of Commissioners.

Expenditures may not legally exceed budget appropriations at the division level.

Note 3. Cash, Cash Equivalents and Investments

As of December 31, 2009, the District had the following investments and maturities:

Investment Type	Fair Value	Years			
		Less Than 1	1-5	6-10	More Than 10
US Treasury notes	\$ 3,874,969	\$ 3,874,969	\$ -	\$ -	\$ -

As of December 31, 2008, the District had the following investments and maturities:

Investment Type	Fair Value	Years			
		Less Than 1	1-5	6-10	More Than 10
US Treasury notes	\$ 5,014,531	\$ 5,014,531	\$ -	\$ -	\$ -

Investments as of December 31, 2009 were concentrated with the following issuers:

Issuer	Fair Value	
	2009	2008
United States Treasury notes	\$ 3,874,969	\$ 5,014,531

All of the above investment instruments have a Standard and Poor's rating of AAA.

Interest rate risk. The Port's investment policy is to not hold any investments with maturity greater than five years.

Credit risk. In accordance with state law, the Port limits investments to the following:

- a. Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with maturities less than five years.
- b. United States federal instrumentalities, the principal and interest of which are fully guaranteed by the government of the United States, or United States government obligations, the principal and interest of which are guaranteed by any United States government agency or Government Sponsored Enterprise (GSE) with maturities less than five years.
- c. Direct security repurchase agreements of any federal book entry only securities enumerated in subparagraphs 1 and 2. "Direct security repurchase agreement," means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs 1 and 2.
- d. Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by LA. R.S. 6:703 and as authorized by LA. R.S. 6:949, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit. For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision; however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.
- e. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies and which meet the requirements of applicable state law.
- f. Funds invested in accordance with the provisions of subsection 4 above shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or in any one savings and loan association, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by law.

- g. Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of or are unconditionally guaranteed by, the United States of America, including obligations set forth in subparagraphs 1 and 2 to the extent unconditionally guaranteed by the United States of America.
- h. In no event will any investment be selected and utilized until the Port Director is fully convinced that the appropriate District personnel have full familiarity with the nature and nuances of the specific investment vehicle. Furthermore, the Port Director will reasonably endeavor to make available whatever professional training is necessary to assist appropriate District personnel in the performance of their cash management duties and responsibilities.
- i. Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the Port Director and/or his designee, which generally provides for investments with staggered maturity dates not exceeding five (5) years except in exceptional circumstances. The investment plan will provide for appropriate liquidity in accordance with the cash needs of the District while at the same time providing for an appropriate portion the District's investment portfolio to be invested on a staggered maturity basis in accordance with policy. Quarterly reports reflecting all investments, including cost and market value and yields shall be furnished to the Board of Commissioners.
- j. Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana.

As of December 31, 2009, all of the Port's investments were held according to policy.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure or a failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that deposits in commercial banks and savings and loan associations be made only in those institutions that qualify to accept public-sector deposits that are protected or federally insured under the terms of prevailing laws. However, certain "sweep" or "automatic repo" accounts, and certain funds held under the terms of a "repurchase agreement" arrangement may not be protected or federally insured under the provisions of prevailing law. Therefore, such balances shall be protected through the appropriate application of securities safekeeping procedures, which will insure the reasonable safety and integrity of all District monies.

In accordance with a fiscal agency agreement that is approved by the Board of Commissioners, the District maintains demand and time deposits through an administrator bank at participating local depository banks that are members of the Federal Reserve System.

For reporting purposes, cash and cash equivalents include cash and demand deposits. Investments of the District include U.S. Government Agencies securities, each having an original maturity in excess of three months from the date acquired.

The District's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

Local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost, which approximates market and is equal to the value of the pool shares.

Investments held at December 31, 2009 and 2008, consist of \$100,094 and \$3,025,648, respectively, in LAMP. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. This pool is rated AAAM by Standard & Poor's.

At December 31, 2009 and 2008, cash equivalents and investments were restricted as shown below:

	<u>2009</u>	<u>2008</u>
Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds:		
Principal Fund	\$ 1,524,708	\$ 1,253,840
Debt Service Reserve Fund	2,469,285	2,555,073
Depreciation Reserve Fund	<u>2,468,959</u>	<u>2,731,007</u>
Total	<u>\$ 6,462,952</u>	<u>\$ 6,539,920</u>

The trust funds are more fully explained in Note 11.

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2009 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2009	\$ 60,603	\$ 23,574
Additions	-	1,603
Recoveries	<u>(60,603)</u>	<u>-</u>
Balance December 31, 2009	<u>\$ -</u>	<u>\$ 25,177</u>

The changes in allowances for doubtful accounts during 2008 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2008	\$ 313,330	\$ 22,354
Additions	60,603	1,220
Recoveries	<u>(313,330)</u>	<u>-</u>
Balance December 31, 2008	<u>\$ 60,603</u>	<u>\$ 23,574</u>

Note 5. Property Taxes

The Lake Charles Harbor and Terminal District is authorized by Louisiana Revised Statute Number 34:209 to levy annually, when necessary, a property tax not to exceed 2.92 mills on the property subject to taxation situated within the District. All funds derived from this tax may be used for any lawful expenses or purposes by the Board. The 2009 assessed millage is 2.60 mills. The 2008 assessed millage was 2.60 mills.

Property taxes are levied on behalf of the District each November 15, the date the enforceable lien attaches, by the Tax Assessor for the Parish of Calcasieu. The levy is based on the assessed value listed as of June 1. Assessed values are established by the Tax Assessor and are approved and certified by the State Tax Commission. The tax levy is approved and certified by the Louisiana Legislative Auditor.

Total taxes levied for the year ended December 31, 2009 were \$2,597,820 on property with assessed valuation totaling \$1,150,393,273 less exempt valuation of \$151,231,776, for a net valuation of \$999,161,497.

Total taxes levied for the year ended December 31, 2008 were \$2,436,497 on property with assessed valuation totaling \$1,085,672,196 less exempt valuation of \$148,564,836, for a net valuation of \$937,107,360.

The Sheriff and Tax Collector for the Parish of Calcasieu bills and collects taxes for the District. Taxes are due and payable on or before December 31. Interest charges are assessed on delinquent taxes at a rate of 15% per annum. Deductions from tax collections, for the billing and collection of taxes, totaled \$80,159 for 2009 and \$79,090 for 2008.

Note 6. Intergovernmental Receivable

Intergovernmental receivable represents amounts due from federal and state governments for the following:

	<u>2009</u>	<u>2008</u>
State of Louisiana	\$ -	\$ 140,990
FEMA	691,641	2,026,063
Capital projects-State of Louisiana Ports Priority Program	<u>206,869</u>	<u>1,116,935</u>
	<u>\$ 898,510</u>	<u>\$ 3,283,988</u>

These amounts are shown on the statements of fund net assets as:

	<u>2009</u>	<u>2008</u>
Intergovernmental receivable, current	\$ 898,510	\$ 3,283,988
Intergovernmental receivable, noncurrent	<u>-</u>	<u>-</u>
	<u>\$ 898,510</u>	<u>\$ 3,283,988</u>

Note 7. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2009 and 2008 is as follows:

<u>2009</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 29,627,527	\$ 38,451	\$ -	\$ 29,665,978
Construction in progress	<u>5,564,035</u>	<u>20,967,615</u>	<u>(14,801,183)</u>	<u>11,730,467</u>
Total capital assets not being depreciated	<u>35,191,562</u>	<u>21,006,066</u>	<u>(14,801,183)</u>	<u>41,396,445</u>
Capital assets being depreciated:				
Buildings and operating facilities	290,981,288	13,269,271	(3,245)	304,247,314
Equipment, furniture and fixtures	<u>23,287,444</u>	<u>2,094,708</u>	<u>(474,187)</u>	<u>24,907,965</u>
Total capital assets being depreciated	<u>314,268,732</u>	<u>15,363,979</u>	<u>(477,432)</u>	<u>329,155,279</u>

(continued on next page)

<u>2009</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Less accumulated depreciation for:				
Buildings and operating facilities	108,854,036	9,378,120	-	118,232,156
Equipment, furniture and fixtures	17,725,913	960,493	(449,057)	18,237,349
Total accumulated depreciation	126,579,949	10,338,613	(449,057)	136,469,505
Total capital assets being depreciated, net	187,688,783	5,025,366	(28,375)	192,685,774
Total capital assets, net	<u>\$ 222,880,345</u>	<u>\$ 25,031,432</u>	<u>\$ (14,829,558)</u>	<u>\$ 234,082,219</u>
<u>2008</u>	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 25,822,854	\$ 3,804,673	\$ -	\$ 29,627,527
Construction in progress	16,578,253	10,819,325	(21,833,543)	5,564,035
Total capital assets not being depreciated	42,401,107	14,623,998	(21,833,543)	35,191,562
Capital assets being depreciated:				
Buildings and operating facilities	268,521,587	22,459,701	-	290,981,288
Equipment, furniture and fixtures	21,641,992	1,828,097	(182,645)	23,287,444
Total capital assets being depreciated	290,163,579	24,287,798	(182,645)	314,268,732
Less accumulated depreciation for:				
Buildings and operating facilities	100,047,243	8,806,793	-	108,854,036
Equipment, furniture and fixtures	17,161,194	724,525	(159,806)	17,725,913
Total accumulated depreciation	117,208,437	9,531,318	(159,806)	126,579,949
Total capital assets being depreciated, net	172,955,142	14,756,480	(22,839)	187,688,783
Total capital assets, net	<u>\$ 215,355,249</u>	<u>\$ 29,380,478</u>	<u>\$ (21,856,382)</u>	<u>\$ 222,880,345</u>

Depreciation expense was \$10,338,613 for the year ended December 31, 2009 and \$9,531,318 for the year ended December 31, 2008.

Note 8. Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. Following is a summary of property held for lease at December 31, 2009:

	<u>2009</u>	<u>2008</u>
Land	\$ 5,608,093	\$ 5,687,476
Buildings	<u>28,529,784</u>	<u>28,245,903</u>
	34,137,877	33,933,379
Less accumulated depreciation	<u>12,724,912</u>	<u>11,983,039</u>
	<u>\$ 21,412,965</u>	<u>\$ 21,950,340</u>

Minimum future rentals on operating leases having initial or remaining noncancelable lease terms in excess of one year are as follows:

2010	\$ 5,581,020
2011	5,253,970
2012	5,082,045
2013	4,377,300
2014	7,089,179
After 2014	<u>24,968,771</u>
	<u>\$ 52,352,285</u>

Of the above, the amount of \$374,573 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 2009. The amount of \$423,294 is included in deferred revenues at December 31, 2008.

Note 9. Unamortized Expense

The District incurs certain expenses in connection with the issuance of revenue bonds. These expenses are being amortized over twenty-five years, which is the term of the bonds. Details of the balances are as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Total expense	\$ 438,368	\$ 438,368
Less amount amortized	<u>280,556</u>	<u>263,021</u>
Unamortized at December 31	<u>\$ 157,812</u>	<u>\$ 175,347</u>

	<u>2009</u>	<u>2008</u>
Amount shown in current assets (prepaid expenses)-to be amortized in one year	\$ 17,535	\$ 17,535
Amount shown in other assets	<u>140,277</u>	<u>157,812</u>
Total	<u>\$ 157,812</u>	<u>\$ 175,347</u>

Note 10. Compensated Absences

Compensated absences are included in personnel services expenses for 2009. The District's liabilities for accumulated compensated absences as of December 31, 2009 and 2008 are as follows:

<u>2009</u>				
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 476,062	\$ 53,208	\$ 21,909	\$ 507,361	\$ 50,736

<u>2008</u>				
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 437,365	\$ 83,474	\$ 44,777	\$ 476,062	\$ 47,606

Note 11. Noncurrent Liabilities

Long-Term Bonded Debt:

Bonds payable at December 31, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Revenue bonds:		
\$25,000,000 1994 Port Improvement Revenue Bonds, interest due in quarterly installments beginning March 1, 1994 through January 1, 2019; interest initially set at 2.65 percent variable rate adjusted weekly	<u>\$ 12,500,000</u>	<u>\$ 13,750,000</u>

Debt service requirements related to bonds outstanding as of December 31, 2009 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 1,250,000	\$ 144,438
2011	1,250,000	128,000
2012	1,250,000	112,000
2013	1,250,000	96,000
2014	1,250,000	80,000
2015-2019	6,250,000	160,000

Variable interest rate set by Bankers Trust of New York based on market rates of AA tax exempt bond rates, adjusted weekly. At December 31, 2009, the rate was 1.28%. This rate was used to calculate the above debt service requirements.

In addition to the pledge of specific revenues, all excess revenues of the District are pledged as additional security for certificates of indebtedness outstanding.

The District, on February 16, 1994, issued \$25,000,000 Port Improvement Revenue Bonds, Series 1994. Proceeds from such bonds are dedicated to certain additions, extensions and improvements to the District facilities by construction of an extension to a transit shed, and construction of improvements to the bulk loading terminal of the District located on the Calcasieu ship channel. The payment of principal and interest on the bonds is secured by a dedication and pledge of the fees, rates and other charges and other monies derived from the operation of the public port. The bonds are subject to scheduled mandatory sinking fund redemption on January 1, 2000 and on each January 1 thereafter to and including January 1, 2019 each in the amount of \$1,250,000 plus interest. The interest rate mode for the bonds is a weekly "variable rate" and the rate for the initial weekly period was set at 2.65% per annum. Interest is payable on March 1, June 1, September 1, and December 1 of each year.

The bonds are subject to applicable federal arbitrage regulations.

There are a number of limitations and restrictions contained in the bond indentures and in the Letter of Credit and Reimbursement Agreement related to this \$25,000,000 Port Improvement Revenue Bond, Series 1994 Issue.

The Lake Charles Harbor and Terminal District has committed itself to certain covenants as described in the Trust Indenture and Letter of Credit Agreement. In August of 2003, the District replaced its Letter of Credit provider and entered into a new Letter of Credit and Reimbursement Agreement (LOC). The LOC contains certain covenants such as those relating to reporting financial information to the letter of credit bank and maintaining adequate insurance with respect to the properties and activities of the District. Additionally, the LOC currently requires compliance with a debt service coverage ratio.

The following trust funds were established pursuant to the issuance of the bonds:

"Project Fund" - The balance of the proceeds of the issuance and sale of the Bonds were deposited into this account and a "Cost of Issuance Account". The Issuer shall designate the part to be deposited into the Cost of Issuance Account. Amounts deposited in the Project Fund shall be applied to the construction, acquisition, installation and equipping of the Project.

"Bond Fund" consisting of an Interest Account, a Principal Account and a Letter of Credit Account - Moneys on deposit in the Interest Account shall be applied to pay interest on the Bonds when due. Moneys on deposit in the Principal Account shall be applied to pay principal of the Bonds when due. The Trustee shall deposit all moneys drawn under the Letter of Credit to pay principal of and interest on the Bonds directly in the Letter of Credit Account. Such moneys shall be applied solely to the payment of the principal of and interest on the Bonds in respect of which they were so drawn.

"Debt Service Reserve Fund" - The District has deposited \$2,500,000 Debt Service Reserve Fund requirement into this account to be used in accordance with the Trust Indenture for the payment of principal and interest on the Bonds.

"Depreciation Reserve Fund" - The District has deposited \$2,500,000 Depreciation Reserve Fund requirement into this account. Moneys in this account shall be transferred to the Project Fund to the extent of any insufficiency in the moneys on deposit in the Project Fund for the purpose of completing the acquisition, construction, installation and equipping of the Project. After the completion date, moneys on deposit in the Depreciation Reserve Fund shall be used for the purpose of paying the costs of major repairs and replacements to the system, the costs of which are such that they should be spread over a number of years rather than charged as part of operating and maintenance expenses in any single year. Moneys from the

Depreciation Reserve Fund shall also be used to fund insufficiencies in the Principal Account and/or the Interest Account on any date on which principal of and/or interest on the Bonds is due and payable.

"Rebate Fund" - This fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other person, including without limitation the bondholders and the bank. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Treasury Regulations promulgated pursuant thereto.

Certificates of Indebtedness:

The District entered into two (2) certificates of indebtedness during 2008. One certificate was issued in the amount of \$104,167 payable in six (6) principal installments beginning in 2008 and bearing interest at a variable rate of no less than 7% or greater than 15%. The second certificate was issued in the amount of \$166,600 payable in seven (7) principal payments and bears interest at a variable rate of no less than 7% or greater than 15%. The second certificate was retired in 2009.

Debt service payments related to the certificates of indebtedness as of December 31, 2009 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 17,361	\$ 6,076
2011	17,361	4,861
2012	17,361	3,646
2013	17,361	2,431
2014	17,362	1,215
	<u>\$ 86,806</u>	<u>\$ 18,229</u>

Long-Term Rent Payable:

Long-term rent payable consists of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Rent payable	\$ 29,829	\$ 85,781
Less current portion	<u>(29,829)</u>	<u>(55,952)</u>
	<u>\$ -</u>	<u>\$ 29,829</u>

Rent payments related to the long-term rent payable are as follows:

<u>Years Ending</u> <u>December 31,</u>	<u>Payments</u>
2010	\$ 29,829

In June of 1999, the District entered into a development agreement with the Calcasieu Parish Police Jury. Under this agreement, the Parish would pay \$2,000,000 to the District in three equal installments beginning on July 1, 1999 to assist in the removal of spoilage. In exchange for this contribution, the Parish will share in the lease revenues received by the District from the tenant until the Parish had received \$500,000 of such revenues. The District would also make any excess spoils available to the Parish at no cost. In addition, the District conveyed to the Parish, a water tower and water treatment equipment. The results of this arrangement are a short-term payable of \$29,829 and a long-term payable of \$-0- at December 31, 2009. At December 31, 2008 the short-term payable was \$55,952 and the long-term payable was \$29,829.

Changes in Noncurrent Liabilities:

Noncurrent liabilities activity for the years ended December 31, 2009 and 2008 are as follows:

	<u>January 1,</u> <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2009</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 13,750,000	\$ -	\$(1,250,000)	\$ 12,500,000	\$ 1,250,000
Certificates of Indebtedness	270,767	-	(183,961)	86,806	17,361
Rent payable	85,781	-	(55,952)	29,829	29,829
	<u>\$ 14,106,548</u>	<u>\$ -</u>	<u>\$(1,489,913)</u>	<u>\$ 12,616,635</u>	<u>\$ 1,297,190</u>

	<u>January 1,</u> <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 15,000,000	\$ -	\$(1,250,000)	\$ 13,750,000	\$ 1,250,000
Certificates of Indebtedness	-	770,767	(500,000)	270,767	17,361
Rent payable	139,645	-	(53,864)	85,781	55,952
	<u>\$ 15,139,645</u>	<u>\$ 770,767</u>	<u>\$(1,803,864)</u>	<u>\$ 14,106,548</u>	<u>\$ 1,323,313</u>

Note 12. Port Facilities Revenue Bonds

On occasion, the District facilitates the issuance of tax-exempt bonds to finance the construction of industrial facilities within the District's boundaries. The facilities constructed or assets purchased with the bond proceeds are not owned by the District nor are the bonds themselves guaranteed in any manner by the District. These bonds are not included in the financial statements nor in the preceding schedules in Note 11 pertaining to noncurrent liabilities. The bonds and the interest coupons appertaining thereto do not constitute an indebtedness of the issuer within the meaning of any state constitutional or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers.

Following is a summary of port facilities revenue bonds outstanding at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Polycom-Huntsman, Inc. Project, Series 1995	\$ 8,000,000	\$ 8,000,000
Conoco, Inc. Project, Series 1999A	20,900,000	20,900,000
Conoco, Inc. Project, Series 1999B	3,400,000	3,400,000

Note 13. Retirement Benefits

Defined benefit pension plan:

Plan description:

The District contributes to the Louisiana State Employees' Retirement System (LASERS). The LASERS was established on July 1, 1947, and is the administrator of a cost-sharing multiple-employer public employee retirement system. The system was established and provided for within Title 11, Subtitle 11, Chapter 1 of the Louisiana Revised Statutes (LRS). Benefit provisions are authorized within LRS 11:441-501. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the LASERS, PO Box 44213, Baton Rouge, LA 70804-4213 or by calling 1-225-922-0600.

All District full-time employees, as defined, are eligible for membership to LASERS. Benefits vest after ten years of participation.

A person who is a member of LASERS prior to 7/1/2006 is eligible to retire after 10 years of service at age 60, 25 years at age 55, or after 30 years at any age. A person who becomes a member after 7/1/2006 is eligible to retire after ten (10) years of service at age 60. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of the highest 3 consecutive years of creditable service. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

Act 14 of the 1990 Louisiana Legislature provided for a new retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy:

Covered employees were required by Louisiana state statute to contribute 7.5% or 8%, depending on their hire date, of their salary to the plan. The current employer rate is 18.5% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The District's contributions to the Louisiana State Employees' Retirement System for each of the years ending December 31, 2009, 2008 and 2007 are presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employer's contribution	\$ 894,220	\$ 891,899	\$ 812,738
Employees' contribution	<u>366,771</u>	<u>350,082</u>	<u>311,856</u>
Total	<u>\$ 1,260,991</u>	<u>\$ 1,241,981</u>	<u>\$ 1,124,594</u>

The required employer contribution percentage as of December 31, 2009, 2008 and 2007 were 18.5%, 18.5% and 20.4%, respectively. The required employee contribution percentage was 7.5% for each of the past three years for employees hired before July 1, 2006. The required employee contribution for employees hired after July 1, 2006 was 8% for 2009 and 2008. The District's contributions equaled the required contribution for each of the three years.

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 13, the District provides postretirement health care insurance benefits for retired employees. In 2008 and 2009, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2009, twenty-nine (29) retired employees were receiving benefits under this plan. During 2008, thirty-eight (38) retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2009 and \$-0- for 2008. The participants' share of the costs totaled \$146,786 for 2009 and \$163,203 for 2008.

Deferred compensation plan:

Certain employees of Lake Charles Harbor and Terminal District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, PO Box 94397, Baton Rouge, Louisiana 70804-9397.

The contributions for the year ended December 31, 2009 consisted of \$180,845 from employees. Contributions for the year ended December 31, 2008 consisted of \$163,098 from employees.

Note 14. Risk Management

In June, 2004, the District elected to enter into a joint cooperative agreement with the Calcasieu Parish Police Jury to implement a combined health and medical self-insurance plan for the employees of the District. The plan provides for both specific stop-loss and aggregate stop-loss coverage. For any one participant, the District is liable for the first \$100,000 of claims in any one calendar year. The aggregate stop-loss coverage will pay all claims over a maximum amount, which is calculated by multiplying the number of employees covered each month by the monthly stop-loss unit, which is determined by the insurance underwriter. Any claims not paid by the end of the calendar year will be considered in the calculation of next year's stop-loss coverage. In the aggregate, the amount of settlements has not exceeded insurance coverage since the inception of the plan. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments.

Changes in the balances of claims liabilities during the past two years are as follows:

Unpaid claims, January 1, 2008	\$ 141,903
Incurred and adjusted claims	1,103,176
Claim payment	<u>(1,051,669)</u>
Unpaid claims, January 1, 2009	193,410
Incurred and adjusted claims	1,138,041
Claim payments	<u>(1,103,488)</u>
Total unpaid claims, December 31, 2009	<u>\$ 227,963</u>

The District's insurance reserves to fund future claims, on deposit with the Calcasieu Parish Police Jury, totaled \$2,867,176 and \$2,552,799 in 2009 and 2008, respectively.

Note 15. Claims Payable

In 2004, the District reached agreements with two of its largest customers concerning rates charged by the District pursuant to certain operating agreements. The agreement resulted in the immediate recognition of one-time revenue in 2004 for the District. The agreement also required to pay the two customers' agreed upon amounts over future periods. The amounts owed to these two customers as well as the District's liability for medical insurance claims discussed in Note 14 are reflected in the District's statement of fund net assets as "claims payable". Captions are provided for both the current and noncurrent portion of the liability. The District's liability for 2009 and 2008 for these claims were as follows:

	<u>2009</u>	<u>2008</u>
Unpaid insurance claims	\$ 227,963	\$ 193,410
Settlement payments due Citgo	-	63,352
Total	<u>227,963</u>	<u>256,762</u>
Less current portion	<u>227,963</u>	<u>256,762</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>

Note 16. Contingent Liabilities and Commitments

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and environmental.

At December 31, 2009, the District had committed approximately \$11.3 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 2008 totaled approximately \$5.3 million.

The District is involved in various lawsuits in the ordinary course of business. Management believes that the District's exposure will not exceed insurance coverage except for possible payment of insurance deductibles.

A large pile of petroleum coke mixed with barite, rutile and other materials has been stockpiled as waste material at the Bulk Terminal No. 1 facility. The cost of removal of the material is currently not determinable.

The District currently has two pending "Notice of Violations" and a warning letter from Louisiana Department of Environmental Quality (DEQ). This is simply an allegation of violations that is on appeal through a normal administrative hearing process before the DEQ.

The District is currently involved in litigation with the West Cameron Port Harbor and Terminal District concerning the District's ability to own and lease land in Cameron Parish. A trial court judgment from Cameron Parish has been rendered against the District. The judgment is under appeal and the District continues to assert its position will be upheld. Total payments recorded under the lease in dispute totaled \$2.8 million through 2009.

Note 17. Deferred Revenues

The District has entered into several leases wherein the lessee has paid the total rentals due at the inception of the lease. Payment for the 2009 settlement of homestead exemption was received in 2008 and is shown as deferred revenue.

The District has also received and recorded as receivable certain amounts from FEMA and insurance that will not be earned until applicable repairs are made. These amounts are also reflected in deferred revenue.

	<u>Term Years</u>	<u>Total Rent</u>	<u>Deferred 12/31/09</u>	<u>Deferred 12/31/08</u>
Trunkline LNG land lease	40	\$ 741,907	\$ 129,833	\$ 148,381
Trunkline LNG land lease	40	1,208,430	244,740	274,913
Cash deposit on land - Pinnacle			5,000,000	5,000,000
FEMA and insurance proceeds			409,066	528,068
Various short-term leases			727,822	1,451,667
Homestead exemption settlement			30,038	30,958
Total			<u>\$ 6,541,499</u>	<u>\$ 7,433,987</u>

Note 18. Unrestricted Net Assets

All net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted net assets.

The Board of Commissioners of the Lake Charles Harbor and Terminal District has designated a portion of unrestricted net assets to be used for the following purposes:

	<u>2009</u>	<u>2008</u>
Commitments on construction contracts	\$ 11,302,906	\$ 5,279,189

Note 19. Budgetary - GAAP Reporting Reconciliation

The accompanying Statements of Revenues, Expenses, and Changes in Net Assets Budget and Actual (Budgetary Basis)-Enterprise Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The change in fair value of investment securities was not budgeted. Capital contributions were also not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), reconciliations of resultant basis and perspective differences in net income for the years ended December 31, 2009 and 2008 are presented on the budgetary comparison statement.

Note 20. Major Customers

A significant portion of the District's operating revenue has been derived from two major customers in 2009 and two in 2008:

each of the two customers accounted for 23% and 11%, respectively, in 2009;

each of the two customers accounted for 21% and 12%, respectively, in 2008.

Trade receivables due from these customers as of December 31, 2009 and 2008 represented the following percentage of total trade receivables.

each of the two customers accounted for 6% and 28%, respectively, in 2009;

each of the two customers accounted for 11% and 30%, respectively, in 2008.

Note 21. Postemployment Healthcare Plan

Plan description:

As noted in Note 14, the District participates in a combined health and medical self-insurance plan with the Calcasieu Parish Police Jury. The arrangement may be classified as an Agent Multiple-Employer Defined Benefit Healthcare Plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. By action of the Board of Commissioners, the District provides postemployment health care insurance benefits for retired employees. A separate financial report is not issued by the plan.

Funding policy:

The contribution requirements are determined by the District. Members receiving benefits contribute \$364 per month for retiree-only coverage and \$589 per month for retiree and spouse coverage to age 65, and \$310 and \$620 per month, respectively, thereafter.

The District funds the plan on a pay as you go basis, and therefore, does not contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 61.3 percent of annual covered payroll.

Annual OPEB cost:

For 2009, the District's annual OPEB cost (expense) was \$97,760 and the District's ARC was \$310,280. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/08 (transition year)	\$ 523,000	0%	\$ 523,000
12/31/09	97,760	0%	620,760

Funded status and funding progress:

The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 3,748,446
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	<u>\$ 3,748,446</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 6,111,309
UAAL as a percentage of covered payroll	61.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return (net of administrative expenses) and an annual healthcare rate of 12% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 4% inflation assumption. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility to the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was thirty (30) years.

Note 22. Reclassification

Certain transactions have been made to the 2008 financial statements to be in conformity with the 2009 method of presentation. The reclassifications had no effect on the change in net assets or net assets for the year ended December 31, 2008.

Note 23. Subsequent Events

Subsequent to December 31, 2009, Pinnacle Entertainment announced it would not develop Sugarcane Bay Casino Resort and Hotel and has returned the gaming license to the Louisiana Gaming Control Board. Pinnacle has a lease with the Lake Charles Harbor and Terminal District for the site. The financial impact of not developing the site has not yet been determined.

Subsequent to December 31, 2009, the District amended the Amended and Restated Trust Indenture related to the 1994 Port Improvement Revenue Bonds allowing JP Morgan Chase to purchase the remaining bonds at a fixed rate of 3% for a period of six years. The amendment was a result of the expiration of the agreement with Capital One to provide credit enhancement on the outstanding bonds. In May 2010, the District will make a principal payment of approximately \$4.4 million leaving an outstanding balance of approximately \$6.8 million.

Subsequent to December 31, 2009, the Louisiana Court of Appeal, Third Circuit, ruled in favor of the District by reversing a lower court's decision in Cameron Parish which had invalidated the purchase and lease of 200 acres of property in Cameron Parish for the construction and operation of a liquefied natural gas (LNG) terminal owned and operated by a tenant of the District, Sempra Energy, LLC.

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REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR LAKE CHARLES HARBOR
AND TERMINAL DISTRICT'S RETIREE HEALTH PLAN
Year Ended December 31, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
12/31/08**	\$ -	\$ 3,748,446	\$ 3,748,446	0%	\$ 6,194,612	60.5%
12/31/09	-	3,748,446	3,748,446	0%	6,111,309	61.3%

** 12/31/08 was the District's transition year

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
Years Ended December 31, 2009 and 2008

	2009			Variance
	Budgeted Amounts			With Final
	Original	Final	Actual	Budget
Operating revenue:				
Vessel and cargo services	\$ 20,824,940	\$ 20,824,940	\$ 19,408,860	\$(1,416,080)
Rental of equipment and facilities	8,996,858	8,996,858	8,764,583	(232,275)
Other	395,655	395,655	852,667	457,012
Total operating revenue	30,217,453	30,217,453	29,026,110	(1,191,343)
Operating expenses:				
Personnel services	9,684,723	9,684,723	8,583,507	1,101,216
Contractual services	5,243,534	5,243,534	4,663,870	579,664
Supplies, maintenance and operation of facilities	5,175,595	5,175,595	5,130,556	45,039
Heat, light and power	906,793	906,793	559,208	347,585
Depreciation and amortization	10,518,365	10,518,365	10,338,613	179,752
Total operating expenses	31,529,010	31,529,010	29,275,754	2,253,256
Operating income (loss)	(1,311,557)	(1,311,557)	(249,644)	1,061,913
Nonoperating revenue (expenses):				
Property taxes	2,250,000	2,250,000	2,318,463	68,463
Intergovernmental revenue	90,000	90,000	92,875	2,875
Interest income	573,780	573,780	298,711	(275,069)
Interest expense and fiscal charges	(25,000)	(25,000)	(37,890)	(12,890)
Hurricane expense net of recoveries	-	-	330,494	330,494
Retirement/impairment of assets	-	-	(28,375)	(28,375)
Other	(8,000)	(8,000)	(15,532)	(7,532)
Net nonoperating revenue (expenses)	2,880,780	2,880,780	2,958,746	77,966
Net income (loss) before contributions (budget basis)	1,569,223	1,569,223	2,709,102	\$ 1,139,879

2008			
Budgeted Amounts			Variance
Original	Final	Actual	With Final Budget
\$ 21,029,527	\$ 21,029,527	\$ 21,841,492	\$ 811,965
7,803,983	7,803,983	8,564,493	760,510
274,655	274,655	672,272	397,617
<u>29,108,165</u>	<u>29,108,165</u>	<u>31,078,257</u>	<u>1,970,092</u>
9,007,973	9,007,973	9,086,400	(78,427)
5,176,124	5,176,124	4,872,140	303,984
5,452,748	5,452,748	6,203,509	(750,761)
668,510	668,510	832,000	(163,490)
<u>9,737,909</u>	<u>9,737,909</u>	<u>9,531,318</u>	<u>206,591</u>
<u>30,043,264</u>	<u>30,043,264</u>	<u>30,525,367</u>	<u>(482,103)</u>
<u>(935,099)</u>	<u>(935,099)</u>	<u>552,890</u>	<u>1,487,989</u>
1,900,000	1,900,000	2,370,487	470,487
89,170	89,170	91,827	2,657
1,533,877	1,533,877	1,215,960	(317,917)
(36,000)	(36,000)	(21,866)	14,134
-	-	1,201,193	1,201,193
(905,000)	(905,000)	(995,779)	(90,779)
<u>-</u>	<u>-</u>	<u>13,433</u>	<u>13,433</u>
<u>2,582,047</u>	<u>2,582,047</u>	<u>3,875,255</u>	<u>1,293,208</u>
1,646,948	1,646,948	4,428,145	<u>\$ 2,781,197</u>

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
Years Ended December 31, 2009 and 2008
(Continued)

	2009			Variance With Final
	Budgeted Amounts		Actual	Budget
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ 1,569,223</u>	<u>\$ 1,569,223</u>	2,709,102	
Adjustments:				
Net increase (decrease) in the fair value of investments			<u>(83,629)</u>	
Net income before contributions (GAAP basis)			2,625,473	
Capital contributions			<u>5,322,946</u>	
Net income (GAAP basis)			7,948,419	
Net assets, beginning of year			<u>253,166,152</u>	
Net assets, end of year			<u>\$ 261,114,571</u>	

The notes to the financial statements are an integral part of this statement.

2008			
Budgeted Amounts		Actual	Variance With Final Budget
Original	Final		
<u>\$ 1,646,948</u>	<u>\$ 1,646,948</u>	4,428,145	
		<u>128,604</u>	
		4,556,749	
		<u>2,557,751</u>	
		7,114,500	
		<u>246,051,652</u>	
		<u>\$ 253,166,152</u>	

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2009

Insurance policies in force as of December 31, 2009:

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Equipment breakdown	M5J-BM21-8964L181-TIL-09	Travelers Insurance Company	1/1/09-1/1/10
Crime	CCP002364705	The Fidelity and Deposit Co. of Maryland	10/11/07-10/11/10
General liability	SE494348004	Liberty Mutual Insurance Company	10/1/09-10/1/10
Inland marine	RRP13653	Essex Insurance Company	4/21/09-4/21/10
Maritime employer's liability	09MELN7543	Lloyd's of London	6/18/09-6/18/10
Public officials liability	G23632500-004	Illinois Union Insurance Company	10/1/09-10/1/10
Railroad liability	RRGL1145-0	Essex Specialty Insurance Company	1/1/09-1/1/10
Commercial property insurance including terrorism	PP0908008	Lloyd's of London	1/1/09-1/1/10
Excess property	00020879-12	James River Insurance Company	1/1/09-1/1/10
Excess property	MAX4XP0003600	Lloyd's of London	1/1/09-1/1/10
Commercial property	PP0908010	Lloyd's of London	1/1/09-1/1/10
Excess property	PP0908009	Lloyd's of London	1/1/09-1/1/10
Excess property	PP011053001	Allied World Assurance Company, (U.S.) Inc.	1/1/09-1/1/10
Excess liability	SE494373004	Liberty Mutual Insurance Company	10/1/09-10/1/10
Excess property	ESP003115800	Arch Specialty Insurance Company	1/1/09-1/1/10
Commercial automobile	ASK-Z91-433903-019	Wausau Underwriters Company	4/15/09-4/15/10
Health care	Self insured with CPPJ	Stop loss carrier through CPPJ	1/1/09-12/31/10
Law enforcement liability	0202-1493	Darwin Select Insurance Company	6/18/09-6/18/10
Workers compensation	100510-D	Louisiana Workers Compensation Corporation	6/18/09-6/18/10
Auto coverage	774569-A09-18C	State Farm Insurance	7/9/09-1/9/10
Auto coverage	91067939601/01	Allstate Insurance Co.	7/1/09-12/31/10
Auto coverage	0762244-E24-18D	State Farm Insurance Co.	11/24/09-5/24/10

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2009

(Continued)

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Auto coverage	1068528-F07-18B	State Farm Insurance Co.	12/7/09-6/7/10
Auto coverage	AV21571	Farm Bureau Insurance	11/23/09-5/23/10
Auto coverage	PLPW139802	America First Insurance	3/27/09-3/27/10
Auto coverage	U033533A-31-18H	State Farm Insurance	7/31/09-1/31/10
Business travel	ETB-101464	Hartford Group	10/3/09-10/3/12
Excess liability	7322042	Federal Insurance Co.	10/1/09-10/1/10
Excess liability	MASILSF00002509	Starr Indemnity Liability Co.	10/1/09-10/1/10

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STATISTICAL SECTION

This part of the Lake Charles Harbor and Terminal District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess government's more significant local revenue sources.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NET ASSETS BY COMPONENT
 Last Seven Fiscal Years
 (Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)
 (Unaudited)

	Invested in Capital Assets, Net of Related Debt	Restricted	Unrestricted	Total
2003	\$ 155,808	\$ 20,000	\$ 21,292	\$ 197,100
2004	163,677	18,750	22,787	205,214
2005	171,040	6,350	39,340	216,730
2006	191,430	6,391	37,125	234,946
2007	200,356	6,611	39,085	246,052
2008	208,860	6,583	37,723	253,166
2009	221,495	6,471	33,149	261,115

* District is reporting only for periods since GASB 34 implementation.

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES

Years Ended December 31, 2000 through 2009

(Unaudited)

	2000	2001	2002	2003
OPERATING REVENUES				
Charges for services	\$ 14,743,289	\$ 14,135,754	\$ 13,772,957	\$ 15,590,573
Rentals	1,862,191	1,767,604	1,583,269	1,626,396
Other	353,057	831,035	435,520	607,008
Total	<u>16,958,537</u>	<u>16,734,393</u>	<u>15,791,746</u>	<u>17,823,977</u>
NONOPERATING REVENUES				
Property taxes	1,577,658	1,647,715	1,686,852	1,720,786
Intergovernmental revenue	90,931	90,305	89,367	89,221
Interest income	3,719,487	2,126,491	1,218,252	928,744
Other income	1,333,826	537,975	-	(374,355)
Total	<u>6,721,902</u>	<u>4,402,486</u>	<u>2,994,471</u>	<u>2,364,396</u>
OPERATING EXPENSES				
General and administrative	4,135,600	3,624,189	4,692,137	5,788,198
Maintenance and operation	12,036,782	11,926,443	12,169,140	10,924,350
Depreciation	3,909,319	5,167,459	5,428,032	5,435,259
Total	<u>20,081,701</u>	<u>20,718,091</u>	<u>22,289,309</u>	<u>22,147,807</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	256,266	389,027	271,806	284,242
Intergovernmental expense	-	-	-	1,001,354
Other expenses	11,907	701,896	76,483	1,314,002
Total	<u>268,173</u>	<u>1,090,923</u>	<u>348,289</u>	<u>2,599,598</u>
Net income (loss) before contributions	<u>3,330,565</u>	<u>(672,135)</u>	<u>(3,851,381)</u>	<u>(4,559,032)</u>
Capital contributions:				
Federal government	-	-	-	140,000
State government	3,881,929	814,350	4,250,406	9,486,517
Other	2,128,951	79,902	-	1,410,246
Total capital contributions	<u>6,010,880</u>	<u>894,252</u>	<u>4,250,406</u>	<u>11,036,763</u>
Change in net assets	<u>\$ 9,341,445</u>	<u>\$ 222,117</u>	<u>\$ 399,025</u>	<u>\$ 6,477,731</u>

Table 2

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 20,474,040	\$ 19,351,888	\$ 21,073,220	\$ 21,040,668	\$ 21,841,492	\$ 19,408,860
2,202,282	5,023,533	7,871,065	8,034,696	8,564,493	8,764,583
436,657	375,375	379,341	260,484	672,272	852,667
<u>23,112,979</u>	<u>24,750,796</u>	<u>29,323,626</u>	<u>29,335,848</u>	<u>31,078,257</u>	<u>29,026,110</u>
1,758,018	1,491,824	2,300,615	2,197,493	2,370,487	2,318,463
655,857	89,318	89,166	89,102	91,827	92,875
766,636	1,173,282	1,991,916	1,898,195	1,215,960	298,711
(162,031)	19,751	61,827	212,541	128,604	(83,629)
<u>3,018,480</u>	<u>2,774,175</u>	<u>4,443,524</u>	<u>4,397,331</u>	<u>3,806,878</u>	<u>2,626,420</u>
6,111,759	6,653,471	7,128,631	7,527,770	9,086,400	8,583,507
10,882,954	8,752,833	10,627,105	11,399,575	11,907,649	10,353,634
5,393,955	6,601,979	7,724,388	8,804,644	9,531,318	10,338,613
<u>22,388,668</u>	<u>22,008,283</u>	<u>25,480,124</u>	<u>27,731,989</u>	<u>30,525,367</u>	<u>29,275,754</u>
267,506	171,645	168,401	21,631	21,866	37,890
567,158	-	-	-	-	-
43,083	822,071	(347,485)	(886,908)	(218,847)	(286,587)
<u>877,747</u>	<u>993,716</u>	<u>(179,084)</u>	<u>(865,277)</u>	<u>(196,981)</u>	<u>(248,697)</u>
<u>2,865,044</u>	<u>4,522,972</u>	<u>8,466,110</u>	<u>6,866,467</u>	<u>4,556,749</u>	<u>2,625,473</u>
2,282,572	1,433,812	529,061	40,907	500,000	2,334,638
2,916,184	5,558,945	9,221,249	4,198,125	2,057,751	2,988,308
50,000	-	-	-	-	-
<u>5,248,756</u>	<u>6,992,757</u>	<u>9,750,310</u>	<u>4,239,032</u>	<u>2,557,751</u>	<u>5,322,946</u>
<u>\$ 8,113,800</u>	<u>\$ 11,515,729</u>	<u>\$ 18,216,420</u>	<u>\$ 11,105,499</u>	<u>\$ 7,114,500</u>	<u>\$ 7,948,419</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

VESSEL AND CARGO REVENUES

Years Ended December 31, 2000 through 2009
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2000	\$ 2,191,059	\$ 881,514	\$ 102,977	\$ 11,567,739
2001	2,002,157	814,352	117,149	11,202,096
2002	2,095,305	793,286	141,087	10,743,279
2003	2,205,695	1,090,234	119,054	12,175,590
2004	2,129,766	1,145,668	187,801	17,010,805
2005	3,365,562	1,002,350	1,399,026	13,584,950
2006	3,532,713	1,010,328	1,757,223	14,772,956
2007	3,102,139	1,068,156	1,128,523	15,741,850
2008	3,900,503	1,564,268	598,616	15,778,105
2009	3,709,754	1,110,636	660,631	13,927,839

SHIPPING ACTIVITIES

TONNAGE

(Unaudited)

2009 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	302,457	463,229	765,686
Bulk	<u>2,546,257</u>	<u>2,713,077</u>	<u>5,259,334</u>
Totals	<u>2,848,714</u>	<u>3,176,306</u>	<u>6,025,020</u>

Table 3

Total Vessel & Cargo Revenue	Per Ton Dockage	Per Ton Wharfage	Per Ton Storage	Per Ton Cargo Handling	Per Ton Vessel & Cargo Revenue
\$ 14,743,289	\$ 0.49	\$ 0.20	\$ 0.02	\$ 2.61	\$ 3.32
14,135,754	0.46	0.19	0.03	2.56	3.23
13,772,957	0.47	0.18	0.03	2.39	3.06
15,590,573	0.51	0.25	0.03	2.80	3.58
20,474,040	0.48	0.26	0.04	3.83	4.61
19,351,888	0.68	0.20	0.28	2.74	3.90
21,073,220	0.71	0.20	0.35	2.97	4.23
21,040,668	0.64	0.22	0.23	3.23	4.32
21,841,492	0.74	0.30	0.11	3.00	4.15
19,408,860	0.83	0.25	0.15	3.12	4.35

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	Imports	Exports	Totals
2000	5,004,025	3,327,536	8,331,561
2001	5,355,754	3,178,253	8,534,007
2002	3,712,106	3,749,590	7,461,696
2003	7,173,473	3,261,115	10,434,588
2004	5,323,538	3,205,853	8,529,391
2005	4,264,583	3,552,555	7,817,138
2006	5,420,466	3,270,760	8,691,226
2007	8,156,562	3,002,325	11,158,887
2008	2,602,599	3,397,882	6,000,481
2009	2,848,714	3,176,306	6,025,020

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Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TAX REVENUES FOR BUSINESS TYPE ACTIVITIES

Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Unaudited)

<u>Fiscal Year Ended</u>	<u>Property Tax</u>	<u>Revenue Sharing</u>	<u>Total</u>
2000	\$ 1,577,658	\$ 90,931	\$ 1,668,589
2001	1,647,715	90,305	1,738,020
2002	1,686,852	89,367	1,776,219
2003	1,720,786	89,221	1,810,007
2004	1,758,018	89,294	1,847,312
2005	1,491,824	89,318	1,581,142
2006	2,300,615	89,166	2,389,781
2007	2,197,493	89,102	2,286,595
2008	2,370,487	91,827	2,462,314
2009	2,318,463	92,875	2,411,338
	<u>\$ 19,069,911</u>	<u>\$ 901,406</u>	<u>\$ 19,971,317</u>

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended December 31	Real Property		Personal Property	Less:
	Residential Property	Public Services	Other	Tax Exempt Real Property
2000	\$ 323,771,000	\$ 47,300,000	\$ 328,457,000	\$ 131,950,000
2001	337,299,000	46,725,000	341,326,000	132,670,000
2002	345,252,000	47,243,000	349,243,000	134,138,000
2003	350,638,000	48,225,000	357,536,000	136,442,000
2004	359,913,000	60,089,000	376,705,000	136,969,000
2005	230,705,641	123,471,370	326,935,009	139,750,000
2006	261,771,883	122,992,500	231,499,680	141,183,060
2007	274,250,190	60,996,297	508,161,757	143,112,086
2008	340,730,510	64,628,447	531,748,403	148,564,836
2009	353,374,500	67,125,422	578,661,575	151,231,776

All property assessments are made by the Calcasieu Parish Assessor.

Note: Starting in 2006, the values for all not-for-profit agencies were not included in the Total Taxable Assessed Value calculation.

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value Percentage of Actual Value</u>
\$ 567,578,000	2.87	\$ 3,547,369,000	16.00%
592,680,000	2.87	3,723,095,000	15.92%
607,600,000	2.87	3,823,065,000	15.89%
619,957,000	2.87	3,893,604,000	15.92%
659,738,000	2.74	4,136,859,000	15.95%
541,362,020	2.74	4,813,048,373	17.19%
616,264,063	2.74	5,298,097,993	16.80%
843,408,244	2.74	6,412,911,778	13.15%
937,107,360	2.60	7,210,808,241	13.00%
999,161,497	2.60	7,293,149,613	13.70%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX MILLAGE RATES
 DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Lake Charles Harbor and Terminal District		Calcasieu Parish School Board		
	Operating Millage	Total	General Fund	Debt Service Funds	Total
2000	2.87	2.87	18.93	15.00	33.93
2001	2.87	2.87	19.56	27.00	46.56
2002	2.87	2.87	19.56	25.00	44.56
2003	2.87	2.87	19.56	39.50	59.06
2004	2.74	2.74	19.56	35.00	54.56
2005	2.74	2.74	18.72	36.50	55.22
2006	2.74	2.74	18.72	25.00	43.72
2007	2.74	2.74	18.72	25.50	44.22
2008	2.60	2.60	18.72	27.50	46.22
2009	2.60	2.60	18.72	24.00	42.72

Table 6

Calcasieu Parish				City of Lake Charles			Total Direct & Overlapping Rates
Parish Police Jury	Special Districts	Airport Harbor & Terminal	Total	General & Special Revenue Funds	Debt Service Fund	Total	
42.99	47.59	9.07	99.65	16.14	0.00	16.14	152.59
45.40	43.49	9.20	98.09	16.43	0.00	16.43	163.95
45.40	37.49	9.20	92.09	16.43	0.00	16.43	155.95
45.40	38.49	9.20	93.09	16.43	0.00	16.43	171.45
52.84	37.89	9.20	99.93	16.43	0.00	16.43	173.66
44.19	38.50	8.80	91.49	16.09	0.00	16.09	165.54
44.99	48.49	8.80	102.28	16.09	0.00	16.09	164.83
47.21	49.00	8.80	105.01	16.09	0.00	16.09	168.06
41.50	46.65	8.80	96.95	16.09	0.00	16.09	161.86
39.28	45.50	8.34	93.12	15.35	0.00	15.35	153.79

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS
For the Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Type of Business	2009		Percentage of Total Valuation
		Assessed Valuation 2009	Rank	
Conoco, Inc.	Chemical plant	\$ 69,585,380	1	6.05%
Entergy Gulf States, Inc.	Electric company	63,378,640	2	5.51%
PPG Industries, Inc.	Chemical plant	43,708,730	3	3.80%
PNK (Lake Charles) LLC	Hotel & casino	42,244,720	4	3.67%
CITGO Petroleum Corporation	Refinery	42,029,610	5	3.65%
Excel Paralubes	Lubricants	34,797,120	6	3.02%
SASOL North America, Inc. (previously Condea Vista)	Chemical plant	34,261,920	7	2.98%
Cameron Interstate Pipeline	Energy transportation	21,893,930	8	1.90%
Kinder Morgan Louisiana	Energy transportation	21,022,240	9	1.83%
Westlake Petrochemical	Chemical plant	15,857,500	10	1.38%
Bellsouth Telecommunication	Telephone company			
Lyondell Chemicals Worldwide	Chemical plant			
Montell USA	Chemical plant			
Players Lake Charles, Inc.	Gaming			
Westlake Polymers	Chemical plant			
Totals		<u>\$ 388,779,790</u>		<u>33.80%</u>

Table 7

2000		
2000	Rank	Percentage of Total Valuation
\$ 40,291,170	1	5.16%
8,735,080	8	1.12%
34,760,520	2	4.45%
-		
17,296,710	3	2.21%
-		
15,910,930	4	2.04%
-		
-		
-		
14,739,840	5	1.89%
12,789,560	6	1.64%
10,991,280	7	1.41%
7,299,880	9	0.93%
7,290,350	10	0.93%
<u>\$ 170,105,320</u>		<u>21.78%</u>

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TOP CUSTOMERS
For the Current Year and Nine Years Ago
(Unaudited)

<u>Customer</u>	<u>2009</u>		<u>2000</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 6,623,359	23.08%	\$ 4,500,161	26.54%
Pinnacle Entertainment	3,138,598	10.93%	-	.00%
Conoco, Inc.	2,223,276	7.75%	2,331,364	13.75%
Basden Agencies	2,019,057	7.03%	-	.00%
Global Logistics (formerly Halliburton)	<u>1,606,237</u>	<u>5.60%</u>	<u>1,658,385</u>	<u>9.78%</u>
	<u>\$ 15,610,527</u>	<u>54.39%</u>	<u>\$ 8,489,910</u>	<u>50.06%</u>

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended December 31	Total Tax Levy	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2000	\$ 1,628,607	\$ 1,386,429	85.13%
2001	1,700,997	1,518,779	89.29%
2002	1,743,819	1,623,359	93.09%
2003	1,779,281	1,682,699	94.57%
2004	1,818,194	1,676,994	92.23%
2005	1,866,251	1,747,084	93.61%
2006	2,052,496	1,759,850	85.74%
2007	2,284,697	1,610,842	70.51%
2008	2,436,497	1,545,071	63.41%
2009	2,597,820	1,916,152	73.76%

Table 9

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 35,513	\$ 1,421,942	87.31%
14,917	1,533,696	90.16%
11,235	1,634,594	93.74%
12,315	1,695,014	95.26%
11,912	1,688,906	92.89%
4,164	1,751,249	93.84%
17,632	1,777,482	86.60%
22,608	1,633,450	70.51%
2,622	1,547,693	63.52%
-	1,916,152	73.76%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Business Type Activities</u>		<u>Gross Revenues</u>	<u>Percentage of Personal Income 1</u>	<u>Per Capita 1</u>
	<u>Port Improvement</u>	<u>Revenue Bonds</u>			
2000	\$	23,750,000	\$ 16,958,537	0.093	20.64
2001		22,500,000	16,734,393	0.101	22.90
2002		21,250,000	15,791,746	0.108	24.57
2003		20,000,000	17,823,977	0.114	25.98
2004		18,750,000	23,112,979	0.107	21.66
2005		17,500,000	24,750,796	0.120	25.39
2006		16,250,000	29,323,626	0.135	29.77
2007		15,000,000	29,335,848	0.142	30.17
2008		13,750,000	31,078,257	0.155	33.06
2009		12,500,000	29,026,110	0.178	39.70

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.

1 See the Schedule of Demographic Statistics for personal income and population data.

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (amounts expressed in thousands)
 (Unaudited)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Debt limit	\$ 78,125	\$ 82,727	\$ 84,473	\$ 86,452
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 78,125</u>	<u>\$ 82,727</u>	<u>\$ 84,473</u>	<u>\$ 86,452</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Legal Debt Margin Calculated for Fiscal Year 2009

Assessed value

Add back: Exempt real property
 Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal
 payment

Legal capacity of Lake Charles Harbor and Terminal
 District

Note:

1. In the State of Louisiana, the first \$75,000 of a homeowners' primary residence is exempt from property tax. This is referred to as a "Homestead Exemption".
2. Under specific conditions, businesses can qualify for a ten year property tax exemption. The State grants this as an economic incentive for companies to locate or expand their business in Louisiana.
3. The \$25,000,000 Port Improvement Revenue Bonds, Series 1994 are not general obligation bonds secured by the imposition of ad valorem property tax approved by a vote of the electors of the District.

Table 11

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 92,021	\$ 82,086	\$ 89,051	\$ 101,000	\$ 108,567	\$ 115,039
-	-	-	-	-	-
<u>\$ 92,021</u>	<u>\$ 82,086</u>	<u>\$ 89,051</u>	<u>\$ 101,000</u>	<u>\$ 108,567</u>	<u>\$ 115,039</u>
0%	0%	0%	0%	0%	0%

\$ 999,161,497

151,231,776
1,150,393,273

115,039,327

1,250,000

113,789,327

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

DEMOGRAPHIC STATISTICS IN THE PARISH
 Last Ten Fiscal Years
 (Unaudited)

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>
2000	186,500	\$ 4,128,923,500	\$ 22,139
2001	183,577	4,167,381,477	22,701
2002	184,700	4,220,395,000	22,850
2003	184,005	4,194,209,970	22,794
2004	185,311	3,734,758,894	20,154
2005	186,181	3,924,323,118	21,078
2006	187,017	4,089,708,315	21,868
2007	184,092	3,916,189,116	21,273
2008	184,563	3,935,252,286	21,322
2009	185,697	4,136,957,766	22,278

Data sources:

- 1 SWLA Chamber of Commerce
- 2 Calcasieu Parish School Board
- 3 U.S. Department of Labor

Table 12

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
32	19.7	34,553	4.7
34	20.0	34,157	5.3
34	20.1	32,975	5.5
35	19.8	33,677	6.2
35	20.1	33,086	5.2
34	20.1	33,294	7.1
34	20.4	32,821	3.4
36	20.3	32,975	3.7
36	20.3	32,500	4.8
36	20.2	32,651	6.4

Table 13

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL EMPLOYERS IN CALCASIEU PARISH
For the Current Year and Nine Years Ago
(Unaudited)

<u>Employers</u>	<u>Type of Business</u>	<u>Rank</u>	<u>2009</u>	<u>Rank</u>	<u>2000</u>
			<u>Number of Employees</u>		<u>Number of Employees</u>
Calcasieu Parish School Board	Education	1	5,100	1	4,000
Pinnacle Entertainment	Gaming	2	2,400		-
Turner Industries	Fabrication	3	1,661	3	2,000
PPG Industries, Inc.	Basic chemical plant	4	1,280	8	1,625
Lake Charles Memorial Hospital	Health care	5	1,238	7	1,700
CITGO Petroleum Corporation	Oil products	6	1,200	5	1,865
Calcasieu Parish Police Jury	Government	7	1,167		-
Isle of Capri	Gaming	8	1,155	3	2,000
City of Lake Charles	Government	9	1,000		-
Calcasieu Parish Sheriff's Office	Police protection	10	834		-
Christus St. Patrick Hospital	Health care		-	2	2,782
Players Riverboat Casino	Gaming		-	6	1,800
Northrop Grumman	Aerospace		-	9	1,611
Conoco, Inc.	Refinery		-	10	1,200
Total			<u>17,035</u>		<u>20,583</u>

Source: SWLA Chamber of Commerce and IMCAL

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FULL-TIME EMPLOYEES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Executive	2	2	2	2	2	2	2	2	2	2
Administrative	23	22	24	15	16	15	15	14	14	14
Legal	3	3	3	3	3	3	3	3	3	3
Engineering	1	1	1	1	2	4	4	3	3	3
Sales and Marketing	1	1	2	2	3	3	3	3	3	3
Security	20	17	18	17	12	13	14	15	16	18
Traffic	2	2	2	2	3	3	3	2	2	2
Safety	1	1	1	1	1	1	2	2	2	2
Maintenance	28	29	29	24	35	36	29	24	18	25
Operation	<u>42</u>	<u>40</u>	<u>39</u>	<u>33</u>	<u>31</u>	<u>39</u>	<u>48</u>	<u>47</u>	<u>54</u>	<u>54</u>
Total	<u>130</u>	<u>125</u>	<u>128</u>	<u>107</u>	<u>115</u>	<u>126</u>	<u>130</u>	<u>122</u>	<u>124</u>	<u>133</u>

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

Function	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Transit sheds - square feet	871,760	871,760	871,760	871,760
Warehouses - square feet	543,360	543,360	543,360	543,360
Docks - number amount:				
Dry cargo	10	10	10	10
Bulk materials	3	3	3	3
Open berth	1	1	1	1
Grain elevator	1	1	1	1
Track - miles	37	37	37	37

Sources: Various District departments

Table 15

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
871,760	1,021,760	1,021,760	1,221,760	1,221,760	1,221,760
543,360	538,000	538,000	538,000	520,400	520,400
11	11	11	11	11	11
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
37	37	37	37	37	37

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**LAKE CHARLES HARBOR AND TERMINAL DISTRICT
LAKE CHARLES, LOUISIANA**

REPORT ON

**COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING**

YEAR ENDED DECEMBER 31, 2009

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

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McELROY, QUIRK & BURCH

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Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

We have audited the financial statements of the Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana as of and for the year ended December 31, 2009, and have issued our report thereon dated May 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Lake Charles Harbor and Terminal District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lake Charles Harbor and Terminal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, Board of Commissioners, federal awarding agencies, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Busch

Lake Charles, Louisiana

May 14, 2010

McELROY, QUIRK & BURCH

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

Compliance

We have audited the compliance of the Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Lake Charles Harbor and Terminal District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Lake Charles Harbor and Terminal District as of and for the year ended December 31, 2009, and have issued our report thereon dated May 14, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures, applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

MS Elroy Quirk & Burch

Lake Charles, Louisiana
May 14, 2010

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

<u>Grant Description</u>	<u>Federal CFDA Number</u>	<u>Current Grant Expenditures</u>
FEMA Public Assistance Grant	97.036	\$ 163,179
FEMA Port Security Grant	97.116	<u>2,358,200</u>
		<u>\$ 2,521,379</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency identified not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.116	FEMA Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2009
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2009

(Continued)

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2009

No findings to report.